

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 10/29/2010

GAIN Report Number:

South Africa - Republic of

Grain and Feed Update

Corn Quarterly Update

Approved By:

Ross Kreamer

Prepared By:

Dirk Esterhuizen

Report Highlights:

Post forecasts South Africa will plant three million hectares of corn, which should yield a crop of about 12.6 million tons, for the 2011/12 marketing year (MY). The estimate for the 2010/11 MY corn crop has decreased, from the previous quarterly update in July, by two percent to 13.649 million tons based on a slight yield adjustment. The 2010/11 MY, however, still remains one of the largest corn crops ever produced in South Africa and is nine percent more than the 12.567 million tons of the previous season. Local corn consumption is estimated at 10.6 million tons, which means South Africa will have approximately 4.0 million tons of surplus corn available for exports.

Post:
Pretoria

Executive Summary:

Post forecasts that the area to be planted to corn by the end of 2010, for the marketing year beginning May 2011 through April 2012 (split year 2010/11 in the PS&D table), will be down eight percent at approximately 2.5 million commercial hectares and 500,000 subsistence hectares as South Africa's four million ton corn surplus has depressed domestic prices for producers. This will result in a total corn crop of about 12.6 million tons, based on average yields.

South Africa's total estimated corn crop for the 2010/11 marketing year (split year 2009/10 in the PS&D table) is 13.649 million tons, 8.6 percent more than the previous season's 12,567 million tons. The total area planted with corn was 3.263 million hectares, 12.9 percent more than the previous year.

Local demand for corn is expected to grow to 10.6 million on lower corn prices. Current rail infrastructure constraints limit South Africa's corn exports and it is estimated that about 2.0 million out of the available 4 million tons of corn will be exported in the 2010/11 marketing year.

US\$1 = Rand 6.95 (10/20/2010)

Sources:

w.sagis.org.za
w.grainsa.co.za
w.safex.co.za
w.nda.agric.za

Corn

Production

Figure 1 illustrates the trend in corn production in South Africa over the past 20 years. The production trends in the figure clearly indicate that South Africa is producing more corn on less area. The main reasons for this trend are more efficient and effective farming methods and practices, the use of less marginal land in the corn production systems, better seed cultivars and the adoption of biotechnology.

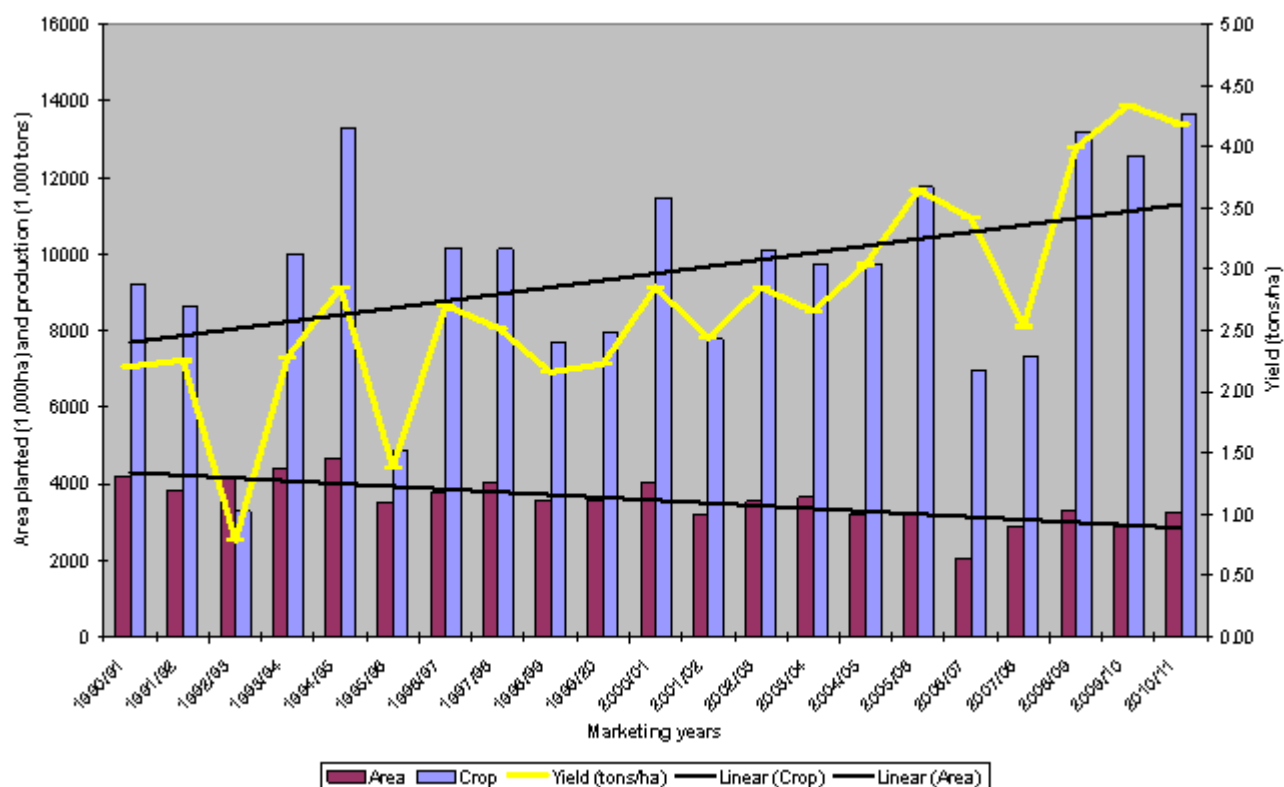


Figure 1: The trend in corn production in South Africa the past 20 years

In the 2011/12 MY (May 2011 to April 2012), South Africa will continue producing more corn on less area. Increased corn productivity has freed up agricultural land and allowed for growth in livestock and soybean production. Therefore, post forecasts the commercial area planted to corn later in 2010, for the 2011/12 MY (split year 2010/11 in the PS&D table), will be nine percent less than the current year at about 2.5 million hectares. Post forecasts subsistence farmers will plant about 500,000 hectares of corn. This will result in a total corn crop of 12.6 million tons, based on average yields.

The Department of Agriculture, Forestry and Fisheries conducted an “intention to plant survey” in mid-October that showed commercial farmers will decrease corn planting by 10 percent to 2.469 million hectares. Farmers indicated that the main reason for the planting decrease is the current relatively low

corn prices that could constrain corn profitability. However, the current-year forecast for La Nina weather conditions could bring higher than average rainfall during the December to February planting season. Better than average rainfall could encourage producers to increase corn plantings in pursuit of higher yields.

The eighth and final commercial area and production estimate for the 2010/11 marketing year (2009/10 split year in the PS&D table) was released by the Crop Estimate Committee (CEC) on September 23, 2010. The CEC decreased their estimate for South Africa's commercial corn crop by two percent or 274,000 tons to 13.043 million tons. The main reason for the change in crop size is a slight reduction to expected yields. The corn crop from subsistence farming was kept unchanged and is estimated at 605,864 tons. As a result, South Africa's total estimated corn crop for the 2010/11 marketing year is 13.649 million tons, 8.6 percent more than the previous season's 12.567 million tons. The CEC kept the area planted with corn unchanged at 3.263 million hectares, 12.9 percent more than the previous year. Of the area planted with corn, 64 percent was white corn and 36 percent yellow corn.

Commercial white corn production for the 2010/11 marketing year is estimated at 7.822 million tons, nearly 16 percent more than the previous season, while commercial yellow corn production is estimated at 5.221 million tons, one percent less than the previous season. Subsistence white corn production is estimated at 421,969 tons, 11 percent more than the previous season. Subsistence yellow corn production is estimated at 183,895 tons, compared to the 138,057 tons of the previous season.

By the end of September 2010, 7.161 million tons of white corn (or 92 percent of the expected crop) was delivered by producers, of which 90 percent was first grade. For the same period, 4.186 million tons of yellow corn (or 79 percent of the expected crop) was delivered, of which 83 percent were first grade. One reason for the lower yellow corn delivery could be that producers use it as feed for their own animals, where potential profits may be higher.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) marketing years.

Table 1: Area planted and production of commercial and subsistence corn in South Africa[illegible]

1 corn									
White	1,489	4.6	6,775	1,720	4.5	7,822	1,500	4.5	6,750
Yellow	939	5.6	5,275	1,023	5.1	5,221	1,000	5.3	5,300
TOTAL	2,428	5.0	12,050	2,742	4.8	13,043	2,500	4.8	12,050
Subsistence corn									
White	356	1.1	379	372	1.1	422	350	1.1	385
Yellow	112	1.2	138	149	1.2	184	150	1.2	180
TOTAL	469	1.1	517	521	1.2	606	500	1.1	565

Source: SAGIS and CEC

Consumption

In the 2010/11 marketing season, Post estimates that corn demand in South Africa will increase from the previous marketing year, due to lower domestic corn prices. Human consumption of corn (mainly white corn) is expected to increase by 2.1 percent to 4.570 million tons. Animal consumption of corn (mainly yellow corn) is expected to increase by 12 percent to 4.610 million tons. Hence, total commercial corn consumption is expected to increase by 6.8 percent to 9.970 million tons on lower prices.

For the 2011/12 marketing year, corn for human consumption is expected to remain flat, while corn for feed purposes is expected to increase total corn consumption by one percent. As general economic conditions improve, middle-income consumers will continue to substitute corn products with wheat or other starchy foods and consume more meat. The South African economy, as measured by the Gross Domestic Product, is expected to grow by 2.8 percent in 2010, 3.0 percent in 2011, and by 4.2 percent in 2012. Total commercial corn consumption for the 2011/12 marketing year is expected to be around 10.1 million tons, with 4.600 million tons used in products for human consumption and 4.800 million tons used for animal feed. Please note that consumption figures in the PS&D table also include corn utilized by the subsistence farming sectors.

The following table outlines the commercial consumption for white and yellow corn for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) marketing years.

Table 2: The commercial consumption of white and yellow corn in South Africa

CORN 1,000 t	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Marketing year	2009/ 10			2010/ 11			2011/ 12		
Human	4,132	346	4,478	4,220	350	4,570	4,250	350	4,600

Animal	362	3,739	4,101	700	3,910	4,610	500	4,300	4,800
Other	211	544	755	300	490	790	250	450	700
TOTAL	4,705	4,629	9,334	5,220	4,750	9,970	5,000	5,100	10,100

Source: SAGIS, Grain SA

Trade

With one of the largest corn crops ever produced in the country, South Africa will have approximately 4.0 million tons of corn available for export in the current marketing year which started May 2010. So far this season, South Africa has exported 692,570 tons of corn (see Table 3). Although most of the corn was exported to South Africa's traditional markets in Africa, new markets like Korea (209,040 tons) also imported South African corn this season. The South African Minister of Agriculture, Forestry and Fisheries, along with grain industry leaders, are currently exploring market potential in China for South Africa's corn. With South Africa's current rail infrastructure constraints and the relative strength of the rand against other currencies, post estimate that South Africa will export only about 2.0 million tons of corn between May 2010 and April 2011. This means South Africa will have approximately 5.3 million tons of corn carry-over stock available for the next marketing year.

For the 2009/10 marketing year, from May 1, 2009 to April 30, 2010, South Africa exported 1.670 million tons of corn, mostly white corn (85 percent of corn exported). More than 50 percent of South Africa's corn exports (852,312 tons) have gone to Kenya, which was severely affected by a drought that left a third of its population in need of food aid. Following Kenya as major destinations for South African corn exports were Botswana (171,576 tons), Mozambique (133,537 tons) and Lesotho (117,549 tons). In fact, 95 percent of South African corn exports in the 2009/10 marketing year were destined for countries in Africa.

Table 3: Export and Import Countries for white and yellow corn (1,000 tons)

Marketing year	2009/10 (May 1, 2009 – April 30, 2010)		2010/11 (May 1, 2010 – October 15, 2010)	
	White corn	Yellow corn	White corn	Yellow corn
Export Destinations				
Botswana	144	28	76	11
Cameroon	1	2	8	5

Chad	1		3	
Guinea			5	
Iran		37		
Kenya	837	15	41	
Kuwait		10		
Korea				209
Kuwait				82
Lesotho	114	3	56	3
Mauritius				
Madagascar	1	7		1
Malaysia		42		
Malawi				
Mozambique	109	25	35	10
Namibia	76	25	9	11
Niger			13	
Senegal		11		4
Seychelles		1		
Somalia			27	
Spain				26
Swaziland	24	52	7	23
Zimbabwe	101	4	28	
TOTAL EXPORTS	1,408	262	308	385
Import Suppliers				
Brazil		27		
TOTAL IMPORTS	0	27	0	0

Source: SAGIS

Prices

The South Africa Future Exchange (SAFEX) prices as of October 15, 2010 are shown in Table 4. Currently, white corn prices are at R1,285 per ton and yellow corn prices at R1,380 per ton. Since August, local white corn prices have increased by 16 percent and yellow corn prices by 20 percent. The upward movement in local corn prices over the past few months can be attributed to international developments, including the drought conditions in Russia and the United States corn crop estimates that reflected a smaller than expected crop. However, the total price impact was somewhat reduced by a six percent increase in the value of the rand against the US\$. Despite price increases the past few months, white corn prices are still 20 percent lower than the same period last year and yellow corn prices are four percent lower.

Table 4: SAFEX prices for corn

SAFEX Futures prices (as of 10/15/2010)					
Commodity	2010/10	2010/12	2011/03	2011/05	2011/07

White corn	R1,285/t (\$185/t)	R1,320/t (\$190/t)	R1,350/t (\$194/t)	R1,365/t (\$196/t)	R1,399/t (\$201/t)
Yellow corn	R1,380/t (\$199/t)	R1,441/t (\$203/t)	R1,435/t (\$206/t)	R1,444/t (\$208/t)	R1,465/t (\$211/t)

PS&D Table

Corn	2008/2009			2009/2010			2010/2011		
South Africa	Market Year Begin: May 2009			Market Year Begin: May 2010			Market Year Begin: May 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	2,896	2,897	2,896	3,250	3,263	3,263	3,000	3,100	3,000
Beginning Stocks	3,090	3,090	3,090	4,113	3,924	4,164	5,538	3,588	5,258
Production	12,567	12,567	12,567	14,000	13,709	13,649	12,500	12,525	12,615
MY Imports	27	27	27	25	25	25	25	25	25
TY Imports	27	27	27	25	25	25	25	25	25
TY Imp. from U.S.	2	0	2	0	0	0	0	0	0
Total Supply	15,684	15,684	15,684	18,138	17,658	17,838	18,063	16,138	17,898
MY Exports	1,671	2,000	1,670	2,500	4,000	2,000	2,500	2,500	2,500
TY Exports	2,111	2,500	2,111	1,600	4,000	1,500	2,500	2,500	2,500
Feed and Residual	4,300	4,200	4,250	4,400	4,370	4,800	4,600	4,580	5,000
FSI Consumption	5,600	5,560	5,600	5,700	5,700	5,780	5,800	5,735	5,665
Total Consumption	9,900	9,760	9,850	10,100	10,070	10,580	10,400	10,315	10,665
Ending Stocks	4,113	3,924	4,164	5,538	3,588	5,258	5,163	3,323	4,733
Total Distribution	15,684	15,684	15,684	18,138	17,658	17,838	18,063	16,138	17,898
Yield	4.	4.	4.3	4.	4.	4.2	4.	4.	4.2